WASHINGTON LATIN PCS

FY2018 Financial Analysis Report

DC PUBLIC CHARTER SCHOOL BOARD

Opened: 2006 - 2007

Audited Enrollment: 698

KEY FINANCIAL INDICATORS

Indicator	Formula	Scale	2018 Sector Median (●)	2018 School Results (▼)	2017 School Results (■)
Change in Net Assets Margin:	= (Total Operating Revenue-Total Operating Expenses) / Total Operating Revenue	-∞ / -5.0% / 0.0% / +∞	5.5%	3.9%	4.6%
Aggregated Three-Year Margin:	= Change in Net Assets for 3-Year Period ÷ Operating Revenues for Same Period	-∞ / -1.5% / 0.0% / +∞	3.6%	6.7%	11.3%
Enrollment Variance:	= (Audited Enrollment - Budgeted Enrollment) ÷ Budgeted Enrollment	-∞ / -5.0% / 0% / +∞	-0.2%	0.6%	1.6%
Current Ratio:	= Current Assets ÷ Current Liabilities	-∞ / 0.90 / 1.00 / +∞	3.72	9.42	7.64
Cash Flow from Operations Margin:	= Cash Flows from Operations ÷ Operating Revenues	-∞ / -2.0% / 0.0% / +∞	8.2%	11.0%	6.2%
Days of Cash on Hand:	= Unrestricted Cash /(Operating Expenses-Depreciation)/365	-∞ / 15 Days / 45 Days / +∞	91.4	103.1	242.5
Debt Ratio:	= Total Liabilities ÷ Total Assets	-∞ / 0.90 / 0.50 / +∞	0.56	0.68	0.70
Debt Service Coverage Ratio:	= EBITDA / (Scheduled Payments – Balloon Payment* + Interest Paid)	-∞ / 1.00 / 1.20 / +∞	2.57	3.49	3.52
Primary Reserve Ratio:	= (Unrestricted Net Assets + Temporarily Restricted Net Assets - Intangible Assets) ÷ Total Expenses	-∞ / 0.0% / 25.0% / +∞	36.8%	69.0%	68.4%

Unresolved Prior Year Findings: 0

Debt Compliance Issue - Financial: No

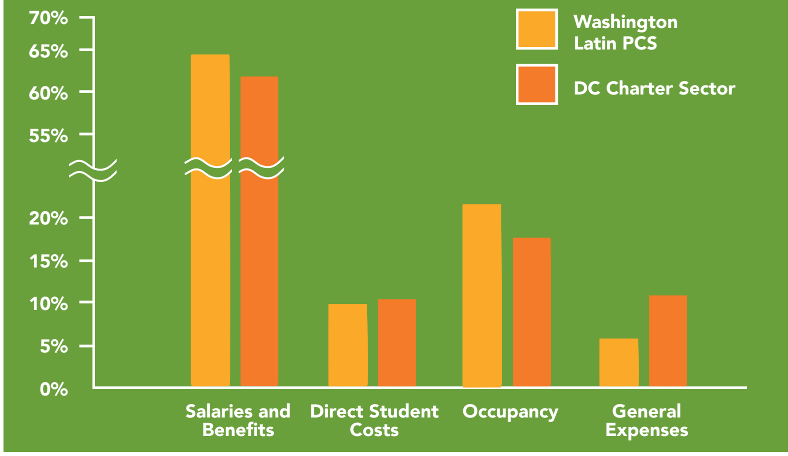
Debt Compliance Issue - Reporting: No

* Balloon Payment Amount: 0

● = 2018 Sector Median ▼ = 2018 School Results ■ = 2017 School Results

Comments from the School

PCS EXPENSES BY CATEGORY



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FINANCIAL POSITION

	2018	2017
Total Assets	$27,424,291	$26,885,055
Current Assets	$8,739,558	$7,590,461
Total Liabilities	$18,623,274	$18,768,596
Current Liabilities	$927,325	$993,991
Net Asset Position	$8,851,017	$8,116,459

FINANCIAL ACTIVITIES

	2018	2017
Revenues and Support	$13,354,905	$12,438,657
Expenses	$12,833,158	$11,870,690
Non-operating Revenues (Expenses)	$212,811	$372,630
Surplus (Deficit)	$734,558	$940,597

AUDIT FINDINGS

	2018	2017
Qualified/Modified/Adverse Opinion on the Financial Statements	No	No
Material Weakness in Internal Control over Financial Reporting (GAS)	No	No
Non-compliance Material to the Financial Statements (GAS)	No	No
Modified Opinion on Major Federal Award Programs (Uniform Guidance)	No	No
Material Weaknesses in the Internal Control over Compliance with Major Federal Programs (Uniform Guidance)	No	No
Findings and Questioned Costs	0	0
Going-Concern Issue	No	No

REVENUES/EXPENSES PER STUDENT

	2018	2017	2018 Sector Median
DC Funding per Student	$17,100	$15,904	$19,243
Grants and Contributions Per Student	$814	$958	$492
Total Revenues per Student	$19,133	$17,846	$22,382
Expenses per Student	$18,386	$17,031	$21,375

PCSB OBSERVATIONS

In FY 2018, the school produced an operating surplus of $735K, indicating the school's ability to manage costs. Further, the aggregated three-year margin, an indicator of financial stability, was positive at 6.7%.

The school did not present a liquidity concern with a current ratio of 9.4 and 103 days of cash on hand. Liquidity is a short-term measure of sustainability, reflecting a school's ability to meet its obligations in the coming year. A current ratio above 0.9 and days of cash on hand above 15 are deemed sufficient for DC PCSB. The school had a positive net asset position, ending FY 2018 with $8.9M in total net assets.

While liquidity provides insight to a school's short-term performance, a school's financial leverage provides insight into its long-term sustainability, as measured by DC PCSB using the debt ratio. The debt ratio, essentially, measures the proportion of total assets being financed by long-term debt. The school's financial leverage improved from FY 2017, with a debt ratio of 0.68, indicating that approximately 68% of the school's total assets were financed using debt. A ratio between 0.5 and 0.9 is sufficient for DC PCSB.

The school has several long-term debt obligations that totaled $17.7M in FY 2018, including:

- A loan agreement consisting of four promissory note agreements totaling $16.6M used to build out and renovate the school. The school pays $5K in annual asset management fees for each lender and an annual administration fee totaling $42.5K. Quarterly payments on loan principal will commence March 15, 2020, with the last payment scheduled for February 21, 2038.
- A promissory note of $1.7M to finance construction of a new gym at the school was issued in November 2015. As of the end of FY 2018, $1.6M was outstanding on this note. In January 2013, the school formed Latin Rudolph QALICB LLC (a Qualified Active Low-Income Community Business), a District of Columbia nonprofit corporation that in February 2013 entered into a lease agreement with the District of Columbia for use of its current school facility. The agreement was for the term of September 1, 2013, to August 1, 2038. The QALICB then entered into a sublease agreement with the school for the same facility for a 20-year term expiring August 1, 2033. The school is required to pay monthly lease payments to the QALICB.